

# Budget Issues Summary

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## Fiscal Year 2008

The General Fund revenue forecast for FY 2008 released with the Governor's executive budget showed a modest increase of \$6.9 million or two-tenths of one percent over the forecast published in August 2007. The total revenue expected to be collected increased to \$2,912.2 million from \$2,905.3 million, for a 3.5% growth over FY 2007 collections. The Division of Financial Management changed their methodology in revenue projecting by identifying an ongoing and one-time component of the revenue to account for economic ebbs and flows. This was significant because for the first time the Economic Outlook and Revenue Assessment Committee and the Joint Finance-Appropriations Committee (JFAC) were asked to accept a delineation of revenue that had not occurred in previous years and would have a major impact on budgeting.

The new revenue estimate showed that ongoing revenue would increase at 8.7% and one-time revenue would be 53.4% less than FY 2007, for a net impact of 3.5%. Under this scenario, the Legislature was assured it could expand ongoing spending even at a time of modest overall growth. By the end of January it became evident that rapid changes in the national economic outlook were impacting state revenues and, in an unprecedented move, the executive forecast was revised downward by \$50.2 million to 1.8% for FY 2008. The new revenue projection for FY 2008 is \$2,862 million. Ongoing revenue growth was reduced to 8% compared to the original forecast of 8.7%, and one-time growth was reduced further to a negative 68.1% to reach a combined rate of 1.8%. The state carried over \$269 million in the General Fund from FY 2007, allowing the expected revenue shortfall to be absorbed without adjustments to agency budgets.

Deficiency warrants totaled \$21.8 million, of which \$21.5 million was a record for fire suppression. The balance was \$255,000 for pest management and \$69,300 for hazardous materials. For a second year in a row the Legislature approved returning more General Funds to the state treasury in rescissions than were expended in supplemental appropriations. In total, state agencies received \$14.3 million in supplemental appropriations, returned \$22.4 million in rescissions, and planned to revert \$6.1 million to the General Fund. The Department of Health and Welfare reported that caseloads in Medicaid were not growing as expected, which resulted in a \$17.4 million rescission; and the Department of Correction returned \$3.9 million due to the continued delay in the opening of the Correctional Alternative Placement Program (CAPP) and less than expected inmate growth.

Through a combination of supplemental appropriations and transfers of existing resources, the Department of Health and Welfare received moneys to complete the expansion of State Hospital North and reimburse the federal government for Medicare overpayments to State Hospital South. The department also received funding for Community Hospitalization and the Idaho Health Data Exchange.

The longtime effort to offer community-based substance abuse treatment to deter incarceration remained in the forefront of legislative concerns this session, and agencies were provided with additional funds for treatment that were not included in the Governor's recommendation. The Governor line-item vetoed \$2.4 from the General Fund in S1458 for community-based substance abuse treatment in the budget of the Office of Drug Policy on the grounds that it was excessive and that the programs had not provided evidence of success. Subsequently, a compromise was reached by the Legislature and the Governor to provide 90% or \$2,145,400 of the amount vetoed in S1458.

Also in supplemental appropriations, the Department of Correction received \$4.7 million to convert a warehouse at the Idaho Correctional Center into inmate housing and \$1 million to add segregation beds at the Maximum Security Institution and the South Idaho Correctional Institution. Late in the session the Legislature received a request and appropriated \$3 million for the upcoming Special Olympics World Winter Games within the Department of Commerce's budget. Of the total, \$1.5 million was appropriated in FY 2008 with the balance of \$1.5 million in FY 2009. A year-end balance of \$176.9 million is projected to carryover into FY 2009.

## Fiscal Year 2009

The original revenue estimate for FY 2009 from the Division of Financial Management was also revised downward in February. Originally the annual growth was expected at 3.4%, to generate an additional \$99.7 million in new revenue. The forecast was then revised downward to 2.8% with an expected increase of \$79.8 million of new dollars. Even with changing conditions most of the reductions were made in one-time revenues rather than ongoing and resulted in an estimate of \$2,941.8 million for FY 2009.

In response to the revised revenue projection, JFAC chose a spending target that was \$39.1 million less than the revenue projection implied would be available. This spending level represented a 3.7% budget growth over ongoing appropriations set in FY 2008. After including all of the trailer appropriation bills, the Legislature set an ongoing spending plan that is 3.8% higher than FY 2008, and a combined ongoing and one-time appropriation level that is higher by 4.9%.

State agencies received increases for contract and medical inflation, essentially full funding for replacement items, funding for a 3% change in employee compensation, statutory increases for Medicaid, and higher education workload adjustments. Approximately \$34 million of one-time funds were used to pay for caseload increases in Medicaid, the restoration of stream flow protection efforts in the Department of Water Resources, personnel costs for higher education to support the Center for Advanced Energy Studies, and community-based substance abuse treatment passed through the Office of Drug Policy in the Governor's Office. The Governor vetoed line items funding community-based substance abuse treatment in the Office of Drug Policy and funding for the Legislative Technology Program in the Legislative Services Office. An agreement was reached with the Governor to provide to the Department of Health and Welfare 90% of the amount originally appropriated for substance abuse funding to the Office of Drug Policy. However, funding was not restored for the Legislative Technology Program.

Public schools received statutory increases for 170 new support units, a 2% salary increase for administrators, a 2.4% increase for teachers including an increase in both the base and minimum pay, and a 3% pay increase for classified staff. Public schools also received a 1% increase in discretionary spending and funding for a new math initiative.

Current estimates leave a balance of \$13.7 million as an ending General Fund balance for FY 2009.

## Education

### Public Schools

The FY 2009 General Fund appropriation for public schools increased 3.7% from \$1.37 billion to \$1.42 billion. The total appropriation, including all funds, increased by 2.9%, from \$1.65 billion to \$1.70 billion. Base salaries were increased by 2% for administrators, 2.5% for teachers, and 3% for classified staff. In addition, the Legislature increased the minimum teacher salary from \$31,000 to \$31,750. The Legislature also funded 170 new support units for FY 2009 in order to keep pace with student enrollment growth as projected by the state Department of Education. Key issues in the appropriation bills for public schools include:

**H668** provides \$87,541,800 to the Administrators Division. This is a General Fund increase of 2.8% and a total funds increase of 2.7%. Administrators will receive a 2% base salary increase. There is no change in federal funds.

**H669** provides \$817,074,500 to the Teachers Division. This a General Fund increase of 3.4% and a total funds increase of 3.1%. The base salary for teachers was raised from \$24,623 to \$25,231, a 2.5% increase, and the minimum teacher salary was raised from \$31,000 to \$31,750, a 2.4% increase. Nearly \$5.4 million was appropriated so that each teacher will receive \$350 to purchase school supplies. Additionally, \$50,000 was appropriated to form a Teacher Evaluation Task Force to develop fair and consistent standards for teacher evaluations in Idaho.

**H670** provides \$584,032,700 to the Operations Division. This is a General Fund increase of 2.7% and a total funds increase of 2.2%. This appropriation raised the base salary of classified staff from \$19,783 to \$20,376, a 3% increase. Pupil transportation shortfalls will be fully funded and there will be \$9.15 million

for school technology grants and \$9.95 million for the textbooks and software allowance. There will be continued funding for the Rural School Initiative effort to identify challenges and solutions for rural schools. Lastly, the discretionary funding provided to school districts will increase by 1% and will equal \$25,696 per support unit.

**H672** provides \$170,449,400 to the Children's Programs Division. This is a General Fund increase of 16.2% and a total funds increase of 2.4%. In this appropriation, the Idaho Digital Learning Academy's funding was increased by 12% up to \$3,129,500 and the Idaho Safe and Drug-Free Schools program was funded at \$7,000,000.

The large General Fund increase is due primarily to an additional \$3.97 million appropriated to implement a statewide math initiative. Other discretionary funding in this appropriation includes continued funding for the Idaho Reading Initiative, ISAT remediation, and funds for Limited English Proficient grants. Also included in this bill is \$50,000 to study and develop a plan to implement concurrent secondary/postsecondary courses for qualifying juniors and seniors.

**H673** provides \$36,850,000 to the Facilities Division. This is a General Fund increase of 47.8% and a total funds increase of 12.4%.

The large increase in General Funds is a result of the \$16.5 million appropriated for the Bond Levy Equalization program, which provides subsidies to school districts for the cost of repaying debt on bonds passed by their patrons. This year's approved funding is a \$5.3 million or 47% increase over last year. This appropriation also includes \$17.25 million of state lottery funds available for school building maintenance and \$3 million of General Funds to meet the state's match requirements for school facility maintenance.

In addition, legislators approved \$100,000 for the continuance of the Safe Schools Study, which will be used to address the findings in the Safe and Secure Schools Assessment completed this year.

## College and Universities

The FY 2009 appropriation for the four institutions in the state's college and university system reflects a 7.9% General Fund increase over the FY 2008 original appropriation. The appropriation provides funding for replacement capital outlay, inflation for library books and periodicals, a 3% change in employee compensation and enrollment workload adjustment. In addition, six line items were funded in this budget:

- Occupancy Costs: \$243,500 in ongoing General Funds for occupancy costs for facilities at Boise State University, Idaho State University and the University of Idaho.
- IT Maintenance: \$600,000 in one-time General Funds for information technology maintenance at BSU.
- Facilities Maintenance: \$2.4 million in one-time General Funds for facilities maintenance and repairs at U of I.
- Center for Advanced Energy Studies (CAES): \$1,603,100 in one-time General Funds for startup personnel costs at CAES.
- Nursing Faculty & Equipment: \$1,226,400 in General Funds (\$620,600 ongoing and \$605,800 one-time) for nursing and health sciences faculty and equipment at Lewis-Clark State College.
- Faculty Position: \$146,000 in one-time dedicated funds for a Restoration Ecologist position at U of I (out-year ongoing costs will be covered by salary savings from retiring faculty).

## Community Colleges

The FY 2009 appropriation for the states three community colleges includes \$5 million General Funds for the newly formed College of Western Idaho. The appropriation also provides funding for replacement capital outlay, inflation for library books and periodicals, a 3% change in employee compensation and enrollment workload adjustment.

## Commission for Libraries

The Commission for Libraries received \$335,500 in General Funds to expand the Read to Me program. The Commission also received an additional \$202,000 in General Funds to implement S1321 which established a digital repository for state publications.

## Special Programs

The Scholarships & Grants program within Special Programs received \$10 million in General Funds for the Opportunity Scholarship endowment, which will bring the fund balance up to \$20 million plus earnings.

## Superintendent of Public Instruction

**H621** and trailer appropriation **S1515** provide \$25,825,000 to the Superintendent of Public Instruction. This is an overall 1.2% decrease from last year. The Superintendent is allowed 125 full- time positions (FTP).

The appropriation decrease is due to the shifting of five programs and four FTPs to Professional Technical Education under the Board of Education. The programs include: Veterans Education, Adult Basic Education, General Education Diploma (GED), Proprietary Schools, and the National Assessment of Educational Progress program. This transfer took place because these programs are not typically K-12 functions.

There are two new line items approved in this budget. The first is \$2.5 million to begin creating a longitudinal data warehouse that will eventually provide better management of education data and allow tracking and monitoring of student information over time. The second line item increases spending authority for the Superintendent to facilitate increased background checks on individuals who will have unsupervised contact with students in public school settings.

## Health and Human Services

### Department of Health and Welfare

There were seven supplemental appropriations and 12 FY 2009 appropriation bills that encompassed a total of 24 different budgets that passed for the Department of Health and Welfare during the 2008 legislative session. The General Fund appropriation for the Department of Health and Welfare increased from \$544.8 million in FY 2008 to \$587.2 million in FY 2009. This level of funding represents an increase of \$42.4 million or 7.8% over the department's fiscal year 2008 original appropriation from the General Fund.

Of the total \$42.4 million in new dollars, \$26.1 million or 61.6% of the increase was for Medicaid and \$9.8 million or 23.1% was for community-based substance abuse treatment requested under the Statewide Substance Abuse budget through the newly established Office of Drug Policy. The department recorded \$12.4 million for a General Fund carryover from FY 2007 into FY 2008 and was provided ten General Fund supplemental appropriations for FY 2008.

Some of the budgeted line items approved in the Department of Health and Welfare FY 2009 budget include:

- 18 additional Child Welfare staff including 12 social workers and 6 client services technicians.
- \$19,380,500 total for the Medicaid Management Information System (MMIS) of which \$3,261,500 was from the General Fund. The MMIS system is the operating system for the Division of Medicaid that is utilized to track, operate, and pay bills for the state's Medicaid Plan.
- \$1,000,000 of General Fund moneys for Community Mental Health Grants and \$858,700 from the General Fund for the purchase of a database system for Adult Mental Health.
- \$445,000 from the General Fund for the last year of programming costs for the Electronic Medical Records System at both State Hospital South and State Hospital North.
- \$1,034,000 of which \$362,000 is General Fund moneys for additional influenza vaccines.
- \$1,000,000 in grant funding from the General Fund for Community Health Centers.
- \$9,000,000 in funding of which \$4,500,000 is from the General Fund for the final year of the EPICS eligibility system replacement.
- \$3,851,300 of which \$1,309,400 was from the General Fund for upgrades to the state Child Support.

## Public Safety

### Department of Correction

**H595** appropriated \$174,494,200 from the General Fund, \$17,471,800 from dedicated funds and \$3,640,400 from federal funds for a total of \$195,606,400 for fiscal year 2009. This represents an increase of 5.9% in the General Fund and a 6% increase overall. Line items addressed in this budget include \$70,400 to upgrade communication lines; \$99,700 to add two additional projects officers to supervise inmate work crews at the Idaho Correctional Institution in Orofino; \$900,000 to construct a building, or to remodel of an existing building at the South Idaho Correctional Institution to provide vocational programming for offenders; \$312,700 to establish an outside patrol post at the Idaho Maximum Security Institution and the Idaho State Correctional Institution; \$72,900 to hire an information system technician for security lock repairs and maintenance; \$4,928,700 to cover anticipated growth of offenders housed in county jails or in other out-of-state facilities; \$684,700 for eleven probation officers; \$13,100 to expand or relocate district offices; \$120,200 to add two new clinicians for the South Boise Complex to provide mental health services to an expanding mental health population; \$41,500 to hire a new administrative assistant to help with increased workload of the Sexual Offender Classification Board; \$53,100 to hire a legal assistant for Probation and Parole; and \$6,100 to fund Probation and Parole review courts in Boise and Pocatello to help alleviate parole violation commitments to prison.

**H537** was a supplemental appropriation to the Department of Correction for fiscal year 2008. It appropriates \$809,100 to increase segregation beds at the Idaho Maximum Security Institution; \$214,800 to staff seventeen segregation beds at the South Idaho Correctional Institution south of Boise; and \$237,700 to develop a contract facilities monitoring prison unit for managing and monitoring all contract beds, which currently accounts for 33% of all Idaho's incarcerated offenders.

It also includes a rescission of \$3,943,800 for the Correctional Alternative Placement Program (CAPP) that was approved and funded last year, but will not become operational this year or next.

Finally, it amends reappropriation provisions that allow the department to use its carryover for increased medical costs, housing inmates in county jails or in out-of-state facilities and for any legal fees and cost claims that have been awarded or may be awarded in *Gomez v. Vernon* in the Ninth Circuit Court of Appeals and/or the U.S. District Court of Idaho. It is currently estimated that the department has about \$1.7 million in available carryover that can now be used to cover these one-time costs.

**S1508** provides an appropriation to convert a state-owned 42,000 square foot Prison Industry Enterprise (PIE) building to 304 minimum custody treatment beds to address substance abuse issues for those offenders committed to the Department of Correction. It appropriates \$4,675,500 from the General Fund to the department for the Idaho Correctional Center, a privately owned state prison, for fiscal year 2008; reduces the appropriation to the department for the Idaho Correctional Center by \$67,300 from the Inmate Labor Fund for fiscal year 2008; provides for the transfer of unobligated General Funds to the Idaho State Building Authority for fiscal year 2008 for the purpose of aiding in the conversion of the PIE facility to treatment beds; appropriates \$1,421,000 from the General Fund to the department for the Idaho Correctional Center for fiscal year 2009; and reduces the appropriation to the department for the Idaho Correctional Center by \$404,000 from the Inmate Labor Fund for fiscal year 2009.

### **Idaho State Police**

**H596** appropriates \$24,174,200 from the General Fund, \$32,533,400 from dedicated funds, and \$9,043,500 from federal funds for a total of \$65,751,100 for fiscal year 2009. This represents an increase of 10.6% in the General Fund and an 8.5% increase overall. Line items addressed in this budget include \$1,073,300 for the second-year funding of the Creating Hope, Opportunity and Incentives for Career Employment (CHOICE) plan; \$357,900 for 26 patrol car mobile data computers; \$127,200 for furnishing, equipping, and moving Region 3 to its new secure facility located in Meridian; \$38,800 for purchasing crash/crime scene investigation equipment; \$71,200 for hiring one auditor in the Bureau of Criminal Identification; \$300,000 in spending authority for conducting criminal history background checks on individuals who have access to vulnerable adults or children in long-term care settings; \$86,500 for providing security at the 2009 Special Olympics World Winter Games and for conducting criminal history background checks on each of 10,000 volunteers; \$25,000 for augmenting the Treasure Valley Special U.S. Attorney Project to deal with gang-related violence and prosecution in the federal court system; \$93,200 for realigning the POST Academy organizational structure and handling classification issues; and \$290,500 for automating POST's application process; and \$111,000 to POST for fiscal year 2008 to cover one-time training related expenses.

**H658** appropriates an additional \$115,900 from the General Fund and one full-time position to provide security and protection for the Supreme Court, per H 370; and \$239,400 from the General Fund to hire additional forensic scientists, lab technicians or other appropriate personnel to handle increased workloads in the Forensics Services Program.

**S1515** provides the Idaho State Police with additional spending authority of \$46,800 to expand the current employee criminal history background checks for individuals who will have unsupervised contact with students in public school settings, per H 566aaS.

### **Department of Juvenile Corrections**

**S1459** appropriates \$40,029,300 from the General Fund, \$7,436,100 from dedicated funds and \$3,765,900 from federal funds for a total of \$51,231,300 and 406.25 full-time positions. The General Fund appropriation for the Department of Juvenile Corrections increased from \$36.4 million in FY 2008 to \$40 million in FY 2009. This level of funding represents an increase of \$3.6 million, or 10% over the department's FY 2008 original appropriation from the General Fund. Of the total \$3.6 million in new dollars, \$2.1 million or 57.5% of the increase is for the operating costs associated with the addition of a 24-bed mental health unit at the Nampa Juvenile Correction Facility.

## Natural Resources

### Department of Environmental Quality

**H667** is a trailer appropriation bill to the Department of Environmental Quality in the amount of \$606,400 to fund the responsibilities for agricultural smoke management and crop residue disposal. Funding includes \$296,000 in personnel costs for two new full-time staff positions, nine seasonal staff, and additional hours for meteorological staff and technical air monitoring staff. It provides \$190,200 in operating expenditures for media outreach, weather forecasting services, vehicle leases, and contract moneys to develop a web-based information system. It also provides \$120,200 for seven air quality monitors, laptop computers, and office furnishings. The germane legislation, H557, repeals the act administered by the Department of Agriculture, transfers responsibilities relating to the administration of open burning crop residue to DEQ, transfers all remaining balances in the Smoke Management Fund to the General Fund, and sets a \$2 per acre fee for burning agricultural fields and directs those receipts to the General Fund.

### Department of Parks and Recreation

**H539** provides a \$1,472,100 supplemental appropriation for FY 2008 that includes \$447,500 to pass snowmobile registration revenues through to eligible counties, \$538,100 to pass boat registration revenues to eligible counties, \$386,500 to pass federal recreation trail grants to eligible agencies, \$75,000 to pass Coast Guard grants to counties to operate boating safety programs, and \$25,000 in federal grants to purchase educational materials used to teach boating safety classes.

**H614** provides \$44,905,700 for the FY 2009 budget for the Department of Parks and Recreation. Highlights of the bill include \$11,471,200 for replacement items and capital improvements at parks across the state, the addition of a Natural Resource Manager to be paid from park trust moneys and a Cultural Resource Specialist to be paid through a National Park Service cooperative agreement. In addition to a number of line items funded with dedicated moneys, the bill also includes, from the General Fund, \$150,000 for park manager housing and \$300,000 to purchase four park cabins to be located at the discretion of the Park and Recreation Board.

### Department of Water Resources

**S1347** amends the fiscal year 2008 appropriation to the Idaho Department of Water Resources for the Energy Resources program. It provides a fund shift in the amount of \$212,900 to increase spending authority for grant moneys received from the Northwest Energy Efficiency Alliance, with an equal reduction in spending authority from other dedicated funds. The legislation also corrects the effective date of the biofuel match appropriation and provides carryover of any unspent biofuel match funds from fiscal FY 2008 into the Office of Energy Resources in the Governor's Office instead of the Department of Water Resources.

**H644** appropriates \$24,599,500 to the Department of Water Resources for fiscal year 2008. The bill shifts the remaining 14.5 positions from the Snake River Adjudication program to the Water Management program, with the Attorney General costs and seven of the positions funded on a one-time basis. This leaves a \$1 million ongoing shortfall to address in the FY 2010 budget. The bill also includes a cash transfer of \$20 million from the General Fund to the Aquifer Planning and Management Fund to pay for the first six years of a statewide aquifer planning effort.

**S1511** appropriates \$10 million for FY 2008 and transfers it to the Water Resource Revolving Development Fund to address a looming water crisis in the Magic Valley. With this \$10 million and \$5 million approved from the Economic Recovery Reserve Fund in 2006, the Water Resource Board is in the process of facilitating the purchase of a large private fish hatchery west of the Blue Lakes Country Club near Twin Falls. The Board has two partners that will, over time, pay the majority of the \$26 million purchase price. Once acquired, the water rights will be used by the ground water users to address a pending water delivery call and by the city of Twin Falls to provide water to address present and future

domestic and municipal water quality and water supply needs. This legislation also includes a \$1.8 million FY 2009 appropriation, as a trailer to HJM 8, to determine the feasibility of enlarging Minidoka Dam and replacing Teton Dam.

## Economic Development

### Department of Commerce

**S1489** provides \$33,881,100 for the ongoing operations of the Department of Commerce. It includes \$600,000 for the Business and Jobs Development Fund, \$150,000 for Idaho TechConnect, \$150,000 for Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants and \$100,000 for the Rural Initiative Program. All enhancements for the Department of Commerce were funded with one-time dedicated funding as transferred from the Department of Labor from the Incumbent Worker Training Revolving Loan Fund. The Incumbent Worker Training Revolving Loan Fund, created during the 2006 legislative session, received funding from the Economic Recovery Reserve Fund. Over the course of two fiscal years, this Incumbent Worker fund has not been utilized by any businesses and the appropriation was to expire at the end of FY 2008. This legislative action removes all moneys from this fund.

**S1308** provides \$1,120,000 additional one-time dedicated spending authority for fiscal year 2008 to the Department of Commerce for the Business and Jobs Development Fund. This supplemental appropriation allows the director for the Department of Commerce to provide additional funds for the purpose of economic development and business recruitment. To date, the director has targeted \$1,850,000 of an appropriated \$2,000,000 to various infrastructure projects from this fund.

**H652** provides \$3,000,000 in one-time funding from the General Fund to the Department of Commerce for the purpose of advancing the preparatory work for the 2009 Special Olympics World Winter Games. A trailer bill to S1489, it provides \$1,500,000 one-time for fiscal year 2008 with carryover authority and provides \$1,500,000 one-time for fiscal year 2009.

### Department of Labor

**S1491** provides \$1,254,100 for the ongoing operations of the Department of Labor. It includes \$444,100 ongoing dedicated spending authority for the transfer of the Idaho Career Information System into the Department of Labor from Professional-Technical Education and \$25,000 one-time funding to develop an online claims filing system for the wage and hour program. This bill also appropriates \$2,500,000 Reed Act Distribution moneys for the payment of expenses incurred for the administration of the Unemployment Insurance and the Employment Service Programs. This appropriation is for fiscal year 2009.

### Transportation Department

**H666** and trailer appropriation **H696** appropriate \$493,966,900 to the Idaho Transportation Department, a 0.4% reduction over last year's appropriation. This is primarily due to an anticipated reduction of federal funding. The FY 2009 appropriation includes two line items: 1) \$426,000 of additional funding for community airport grants from the increase in the aviation fuel tax (H359) and 2) \$1,494,000 of additional funding from four separate pieces of legislation that addressed registration and permit fees (H696).

**H 657** provides the third consecutive year of bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance an additional \$134,000,000 of highway transportation projects. Consistent with last year's changes to Section 40-315, Idaho Code, the Idaho Transportation Board has the sole responsibility and duty to allocate the bond proceeds to 13 approved projects. The Transportation Board's proposed uses of the additional \$134,000,000 of bonding authority include I-84 Caldwell to Meridian, I-84 Orchard to Isaacs Canyon and US-30 McCammon to Lava Hot Springs.



## General Government

### Permanent Building Fund Projects

**S1498** approves a one-time transfer of \$5,645,200 from the General Fund into the Permanent Building Fund, providing additional resources for capital projects. The Legislature appropriated a total of \$52,805,900 from the Permanent Building Fund, \$22,323,000 for maintenance and repair projects and \$30,482,900 for the following 10 capital projects:

- \$4,000,000 to add a 76 bed wing at the Idaho Correctional Center;
- \$10,000,000 for the construction of the Center for Environmental Studies & Economic Development building at Boise State University;
- \$5,175,000 to remodel unfinished space at Idaho State University's Meridian building;
- \$420,800 for planning and design of a new education building as part of a contemplated "education corridor" in Coeur d' Alene;
- \$5,000,000 for expansion and renovation of the Idaho State Historical Museum;
- \$749,500 for renovation of the Caldwell armory (project funding is matched dollar-for-dollar by the federal government);
- \$750,000 for an administrative center at Bear Lake State Park;
- \$175,600 for planning and design of a law learning center building in Boise;
- \$3,252,000 for the Idaho State School & Hospital; and
- \$960,000 for the Division of Veteran's Services headquarters building.

This appropriation also releases \$10 million appropriated in FY 2008 for the University of Idaho's Center for Livestock and Environmental Studies facility.

**HCR58** authorizes the Board of Correction to enter into an agreement with the Idaho Building Authority to finance and build a secure mental health treatment facility that is projected to cost \$70 million for construction. Funds remaining in the original fiscal year 2008 appropriation to the Building Fund Advisory Council for planning are committed for this project for site identification, site purchase and site development. Future bond payments are estimated to begin in three years and will be paid for out of the General Fund.

### Office of Energy Resources

**S1480** provides the FY 2009 appropriation for the Office of Energy Resources in the Office of the Governor in the amount of \$3,116,600. The Office of Energy Resources was originally created by Governor Andrus through an Executive Order in 1975. Those responsibilities were later assigned to the Department of Water Resources in 1981. Then, in October 2007, Governor Otter issued an executive order re-establishing the Office of Energy Resources within the Governor's Office.

**H681** is a trailer bill to **H432** which changed the distribution of royalties paid on federal lands and deposited the money to a newly created Renewable Energy Resources Fund. The appropriation provides \$25,000 in ongoing funds to reclassify an existing position to fiscal officer, \$35,000 for ongoing outside legal costs, \$100,000 one-time to support the 25% Renewable Energy by 2025 Council, and \$240,000 one-time for moving costs.

## Office of Drug Policy & Statewide Substance Abuse Services

**S1458, H608 and H695** provide appropriations for the operating costs of Office of Drug Policy for fiscal year 2008 and fiscal year 2009, as well as additional funding for statewide community- based substance abuse treatment. The FY 2009 appropriation for the Office of Drug Policy & Statewide Substance Abuse Services includes \$159,300 from the General Fund for the Global Assessment of Individual Needs (GAIN) contract to finalize the implementation of a statewide substance abuse assessment tool; \$44,000 from the General Fund for the ongoing costs associated with a statewide database system for substance abuse data collection; \$156,900 from the Cost of Supervision Fund for the lease of Optical Drug Scanning Equipment; \$868,800 in federal funds for the implementation of Child Protection Drug Courts that will serve 65 families; \$2,248,300 in federal funding for the addition of substance abuse treatment reimbursement to the Medicaid state plan; and \$9,814,900 from the General Fund for community-based substance abuse treatment provided through the statewide substance abuse treatment system in the Department of Health and Welfare budget.

## Millennium Fund

The Joint Millennium Fund Committee recommended that eleven projects be funded with the annual distribution from the tobacco settlement moneys for fiscal year 2009. In **S1469**, the Joint Finance-Appropriations Committee and the Legislature supported the recommendation with the distribution of \$4,169,900 on a one-time basis as follows:

- \$500,000 to the Public Health Districts to provide prevention and smoking cessation services to all Idaho citizens, with primary emphasis on youth and pregnant women;
- \$750,000 to the Physical Health Services Program in the Department of Health and Welfare for targeted tobacco counter-marketing programs;
- \$700,000 the Physical Health Services Program in the Department of Health and Welfare for nicotine replacement therapy;
- \$420,000 to the Idaho Supreme Court for youth courts and the status offender services program;
- \$94,000 to Idaho State Police to offset the cost of youth tobacco investigations;
- \$170,300 to the American Lung Association for a tobacco control intervention program targeting primary and secondary school students;
- \$68,700 to the Boys and Girls Clubs of Idaho for the Positive Action Program, which teaches positive behaviors to school-age children and teenagers;
- \$147,100 to Idaho Drug Free Youth for the i2i program, a statewide parent and teen tobacco, drug and alcohol-use prevention and education program;
- \$94,200 to Drug Free Idaho for the Parents and Youth Against Drug Abuse program, a substance abuse cessation and prevention education program for upper elementary and middle school students;
- \$1,000,000 to the Idaho Meth Project for a drug prevention media campaign; and
- \$200,100 to Easter Seals-Goodwill for the women's re-entry initiative, a program to provide substance abuse evaluations and treatment services for women who are released into the community on probation.

## Statewide Issues

### Change in Employee Compensation

**Salary:** The Change in Employee Compensation (CEC) Committee proposed a 3% salary increase for state employees, and funding for the 3% increase was included in all agency appropriation bills for fiscal year 2009 subsequent to the Legislature's adoption of **HCR49**. The resolution directed that a 1% increase be given to all performing employees to assist in covering the increased costs from health insurance premiums. The remaining 2% was directed to be distributed based on merit after agencies had reviewed identified target populations. Finally, the resolution directed the use of salary savings and included judges, elected officials and commissioners in the 3% salary increase funding.

**Benefits:** Funding for a 22% increase in employer health insurance costs was included in all state agency budgets, an increase of \$1,575 for a total of \$8,700 per FTP. **HCR49** capped the amount of premium increases that could be passed on to employees by the Department of Administration at a total of 29% or \$16,400,000 overall. Finally, the resolution directed the Department of Administration to keep current preferred provider organization (PPO) and traditional insurance plans the same and to add a third health insurance plan to give employees more choice in health benefit coverage. The new plan must modify the health insurance plan by increasing the deductible, reducing covered benefits or a combination of both, but premiums in the third plan must not increase.

### Liquor Distribution Formula Changes

**H400** changes the Liquor account distribution to the community college account from \$300,000 to \$600,000. This change in the formula allows the two existing community colleges to receive an increase of \$50,000 per year and gives the newly created College of Western Idaho \$200,000 for operations.

### Major Bills Impacting General Fund Revenues

**H342, H563 and H615** make statutory changes to conform with the Internal Revenue Service (IRS) Code, including changes made after January 1, 2008, for "The Economic Stimulus Act of 2008." The estimated fiscal impact of the three bills is \$39.2 million in FY 2009. Although the \$200,000 fiscal impact of H342 and \$1 million impact of H563 are considered as ongoing, the \$38 million fiscal impact of H615 is considered one-time. The FY 2010 impact of H615 is estimated at \$1.5 million, with eventual payback to the General Fund by 2014.

**H588** increases the grocery tax credit from \$20 to \$30 for most individuals, from \$35 to \$55 for seniors and the disabled, and from \$20 to \$50 for those with taxable income of less than \$1,000. The income tax credit continues to increase each tax year by \$10 until reaching \$100, eventually offsetting, on average, the state sales tax on qualified foods. This legislation also helps the poorest Idahoans by allowing virtually all citizens to file for the credit, even if incomes are too low to incur a tax liability. The fiscal impact is estimated at \$22.3 million in FY 2009 and grows to \$100 million over the next seven years. However, an escape clause allows for the preemption of each succeeding phase should General Fund budget holdbacks of 1% or more be in effect on October 1<sup>st</sup> of any year.

**H599** exempts certain business personal property from local property tax and replaces the exempted amount with sales tax. The original legislation phased out all personal property tax over a five year period and had a fiscal impact of about \$115 million. A senate amendment changed that to a \$15.5 million figure based on a \$75,000 maximum exemption, but the House did not concur. A conference committee took place, changing the exemption to the first \$100,000 with an estimated fiscal impact of \$17.5 million. The definition of business entity was revised to limit each business to one exemption per county rather than per site which reduces that fiscal somewhat. There is no fiscal impact in FY 2009. The legislation includes a delayed trigger which requires the growth in the General Fund to exceed 5% before the replacement takes place. At this point it does not appear likely to trigger for FY 2010. A tax year 2009 trigger would require FY 2008 revenues to exceed 5% and they are running at 3.5% through April.